Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

CONFIDENTIAL

PAGE 01 MOSCOW 05835 282342Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 TRSE-00 IO-13 OMB-01 EB-08 CIEP-00 ABF-01
XMB-02 EA-07 STR-04 /094 W
----------290928Z 038009 /17
R 281520Z APR 77
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 6787
INFO USMISSION NATO
USDOC WASHDC

C O N F I D E N T I A L MOSCOW 5835

EO 11652: GDS
TAGS: EEWT EFIN PFOR UR US
SUBJECT: GOSPLAN PESSIMISTIC ABOUT US-USSR TRADE PROSPECTS

REFS: (A) MOSCOW 4427, (B) MOSCOW 3242

SUMMARY: GOSPLAN OFFICIAL TOLD EMBOFF APRIL 26 THAT MOOD IS CHANGING AND SOVIET ORGANIZATIONS ARE BECOMING PESSIMISTIC ABOUT PROSPECTS FOR EXPANDING TRADE WITH US. ALONG WITH TEN-FOLD TRADE IMBALANCE LAST YEAR WHICH WAS DESCRIBED AS AN "UNHEALTHY FOUNDATION," MFN AND EXIM BANK PROBLEMS WERE CITED AS MAJOR CAUSES. WITHOUT REMOVAL OF THESE OBSTACLES, USSR " CANNOT THINK SERIOUSLY ABOUT EXPANDING TRADE" WITH US. END SUMMARY.

1. EMBOFF VISITED GOSPLAN ON APRIL 26 FOR WHAT WAS SUPPOSED TO BE A BRIEF, ROUTINE MEETING WITH HEAD OF USA DIVISION N.L. DVORETS. INSTEAD, WHAT TRANSPIRED WAS AN HOUR-LONG MEETING WITH BOTH DVORETS AND HIS BOSS, CHIEF OF THE SUB-DEPARTMENT FOR ENGLISH-SPEAKING COUNTRIES V.V. KUZMIN, WHO IS NEXT LEVEL BELOW V.V. MORDVINOV.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MOSCOW 05835 282342Z

WM IN A QUIET, DISPASSIONATE MANNER, KUZMIN DELIVERED THE SOVIET LINE THAT THE BIGGEST OBSTACLES TO EXPANDING US-SOVIET TRADE ARE THE LACK OF MFN AND THE ABSENCE OF GOVERNMENT-BACKED EXIM BANK CREDITS. PRICE, RATHER THAN POLITICS, IS A KEY FACTOR IN SOVIET PURCHASE DECISIONS, HE SAID, AND PRICE IN TURN DEPENDS ON CREDIT AND CONDITIONS. AS OTHER WESTERN COUNTRIES AND JAPAN OFFER "STATE CREDIT" AT LOWER

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

RATES, THEIR OFFERS ARE GENERALLY MORE COMPETITIVE AND ATTRACTIVE. FURTHERMORE, THEIR COMPANIES OFTEN COMBINE SALES AND PURCHASING, HE CONTENDED, AND THAT MAKES DEALING WITH THEM MORE CONVENIENT.

3. AS MOST OF THE ITEMS THAT THE USSR EXPORTS TO THE US CAN ALSO BE SOLD TO EUROPE OR JAPAN, SAID KUZMIN, WITHOUT THE REMOVAL OF OBSTACLES (A REFERENCE TO MFN AND CREDIT PROBLEMS) "WE CANNOT THINK SERIOUSLY ABOUT EXPANDING TRADE." WHILE THE SOVIET UNION DOES NOT STRIVE FOR BILATERAL BALANCE IN ITS TRADE, LAST YEAR'S OUTCOME WITH US WAS DISCOURAGING; THAT TEN-FOLD IMBALANCE IS AN "UNHEALTHY FOUNDATION" ON WHICH TO TRY TO BUILD AN EXPANSION.

4. KUZMIN WISHED TO INFORM US THAT SOVIET ORGANIZATIONS ARE NOT VERY OPTIMISTIC ABOUT THE PROSPECTS FOR DEALING WITH US FIRMS, AND THEY ARE RELUCTANT TO WASTE THEIR TIME WHEN THEY CAN FAIRLY EASILY DO WITHOUT THE US MARKET AND SELL TO OTHER COUNTRIES. THIS IS A "PHILOSOPHICAL" MATTER; IT IS INTANGIBLE BUT IT CAN BE FELT. THIS ATTITUDE HAS SET IN; THERE IS AN INERTIA ON THE SOVIET SIDE; THE MOOD IS CHANGING.

5. EMBOFF RESPONDED THAT HE UNDERSTOOD KUZMIN TO BE SPEAKING IN PART ABOUT A QUESTION OF THE "ATMOSPHERE" IN WHICH TRADE TAKES PLACE. SPEAKING PERSONALLY, HE SAID HE SHOULD NOTE THAT US ATMOSPHERE CAN ALSO BE AFFECTED BY EVENTS OUTSIDE THE TRADE FIELD. WHILE THESE DO NOT DIRECTLY TOUCH ON TRADE QUESTIONS, THEY DO AFFECT THE BACKGROUND AGAINST WHICH CONFIDENTIAL

CONFIDENTIAL

DECISIONS ARE MADE BY BUSINESSMEN AND BY CONGRESS.

6. COMMENT: THERE IS NO DOUBT THAT THE SOVIET HOSTS MEANT THE MEETING TO REINFORCE A MESSAGE. DEPUTY MINISTER OF FOREIGN TRADE MANZHULO MENTIONED SAME POINTS LAST MONTH (REF A) BUT WITHOUT CONVEYING WARNING ABOUT WORSENING ATMOSPHERE. ON MARCH 9 DVORETS COMPLAINED THAT CHILLY ATMOSPHERE WAS COMPLICATING HIS LIFE IN WORKING OUT PLACE FOR US IN SOVIET ECONOMIC PLANS (REF B). WE ARE NOT INCLINED TO DISMISS THESE COMMENTS, BUT WE TEND TO AGREE WITH VIEWS OF LOCAL US BANKER REPORTED SEPTEL THAT SOVIETS HAVE ALREADY TAKEN DECISION TO BUY AMERICAN ONLY WHEN QUALITY IS CLEARLY SUPERIOR AND PRICE COMPETITIVE. WE THINK THEY WILL CONTINUE TO PURSUE THEIR OWN ECONOMIC/COMMERCIAL INTERESTS IN A COLDLY RATIONAL WAY. US SALES MAY SUFFER FROM COOLER ATMOSPHERE IN MARGINAL CASES; SOVIET OFFICIALS CAN CERTAINLY BE EXPECTED TO ASSERT TO US BUSINESSMEN THAT DEALS ARE BEING LOST BECAUSE OF USG POLICIES.
TOON

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

CONFIDENTIAL

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PERSONAL OPINION, ECONOMIC CONDITIONS, EAST WEST TRADE, DIPLOMATIC DISCUSSIONS, FOREIGN TRADE
Control Number: n/a
Copy: SINGLE
Sent Date: 28-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MOSCOW05835
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770150-0177
Format: TEL
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770410/aaaaahqn.tel
Line Count: 116
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 43deb39b-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 MOSCOW 4427, 77 MOSCOW 3242
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 15-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2659198
Secure: OPEN
Status: NATIVE
Subject: GOSPLAN PESSIMISTIC ABOUT US-USSR TRADE PROSPECTS
TAGS: EEWT, EFIN, PFOR, UR, US, (DVORETS, N L), (KUZMIN, V V)
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/43deb39b-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009